the D.C. Circuit were to cause the BOCs and states to elect to change some prices. It would not raise any issue under Section 2(b), for the price changes (1) would be the result of the state's independent decision, not a federal decree (compare South Dakota v. Dole, 483 U.S. 203 (1987)), and (2) would, in all events, only be an indirect consequence of the Commission's exercise of explicit jurisdiction to assure that the provision of interstate services satisfies federal standards and is consistent with the public interest. Compare PSC of Maryland v. FCC, 909 F.2d 1510 (D.C. Cir. 1990). Further, the Eighth Circuit's Opinion acknowledged that Congress could give the Commission authority over pricing if it did so unambiguously (120 F.3d at 797), and Section 271 unambiguously directs the Commission to deny long distance authority if a BOC is not providing access and interconnection in accordance with the federal pricing requirements.

In all events, the question of whether or how Section 2(b) applies to the provisions of Section 271 was not addressed in the Eighth Circuit's Opinion, which applied Section 2(b)'s rule of construction only to the different terms of other provisions of the Act that were held to apply only to intrastate services. Because the Eighth Circuit's Opinion did not decide any Section 271 issues, the Ameritech-Michigan 271 Order is not inconsistent with that opinion in any way.

2. BellSouth's SGAT Prices Are Not Cost-Based.

In the Ameritech-Michigan 271 Order, the Commission specifically found that unreasonably high non-recurring charges for unbundled loops and other "essential inputs" can have as much of a chilling effect on local competition as unreasonably high recurring fees. (at ¶ 296). In fact, unreasonably high NRCs can have even a greater chilling effect because competition will not even get off the ground if NRCs are unreasonably high. The Commission found that, in addition to recurring charges, it would not deem a BOC to be: "in compliance with Sections 271(c)(2)(B)(I)(ii) and (xiv) of the competitive checklist unless it has shown that its non-recurring charges reflect forward-looking economic costs" (id. at ¶ 296).

BellSouth has made no attempt to show that its non-recurring costs reflect forward-looking economic costs. In fact, the Brief does not address non-recurring costs at all. The Affidavit of Mr. Steven D. Moses of DeltaCom attached to these comments explains that BellSouth's negotiated collocation construction costs per square foot are approximately six times the rate contained in its Part 69 collocation tariffs ($300 versus $50; affidavit at 9). Accordingly, it is inconceivable that these rates are cost-based.

ACSI's comments in this docket dated October 20, 1997, also

reveal the absence of cost-based pricing by BellSouth. ACSI shows that: (1) it incurs a per-line out of pocket charge from BellSouth of $19.45 for an unbundled loop before incurring either its own network costs or the immense NRC and installation charges imposed by BellSouth, compared to BellSouth's $16.45 monthly residential rate in South Carolina; and (2) BellSouth requires interim NRC charges totaling $73.60 per unbundled loop -- an amount far in excess of the NRCs charged to BellSouth's retail customers, or to BellSouth's economic costs.

3. **BellSouth's SGAT Rates Are Not Final.**

BellSouth argues that its failure to offer final cost-based rates in its SGAT should be excused because the South Carolina Commission will ultimately conduct an investigation into the matter, and any excessive interim charges will be refunded: "While BellSouth must guarantee CLECs a retroactive, downward adjustment to their bills if warranted after cost proceeding, it may not recover any undercharges incorporated into the interim interconnection rates" (Brief at 35-36).

The short answer to this is that the Alabama Commission rejected this claim recently in rejecting BellSouth's SGAT application before that agency given the pendency of a final cost determination (order released October 16, 1997, Docket No. 25835 at 7). The longer answer is that a refund of excessive interconnection charges is irrelevant in enabling new entrants to

assess the economic risk to the capital assets they must comment in addition to paying interconnection charges. Stated bluntly, CLECs cannot realistically relocate their switches if the South Carolina Commission reaches an economically untenable final result on interconnection charges. It is the overall contingency to a CLEC's assets, not just the level of interconnection charges, which thus demands final interconnection rates.

4. BellSouth's SGAT Loop Rates Are Not Deaveraged.

In its Local Competition Order the Commission found that geographic cost differences requires that loop prices be deaveraged into at least three density-related rate zones. (Local Competition Order at ¶ 765.) While this rule was vacated in the Eighth Circuit's opinion, that order did not implicate in any way the Commission's authority to review the rate structure standards of an RBOC in a Section 271 application (just as the Eighth Circuit's Order did not implicate the Commission's authority to review other pricing issues in the context of a Section 271 proceeding).

Because the loop rates contained in the BellSouth SCAT in South Carolina are not deaveraged into any density-related rate zones, they are not cost-based and will impede competition in lower cost areas.

II. BELLSOUTH'S APPLICATION FAILS TO COMPLY WITH THE COMPETITIVE CHECKLIST.

A. CLEC Experience with BellSouth OSSs Demonstrates Those Systems Do Not Satisfy the Section 251 Requirement of Nondiscriminatory Access.

The attached affidavit of Stephen D. Moses demonstrates the Local Exchange Navigation System ("LENS") that BellSouth relies upon in its South Carolina application as providing OSSs to CLECs has created numerous problems for DeltaCom in Alabama. Mr. Moses describes the difficulties DeltaCom has had with the LENS system "timing out" or "locking up."[10] DeltaCom has discussed with BellSouth the various problems it has had with OSS, and has taken its own steps to mitigate these issues. However, they have not yet been resolved. In addition, as Mr. Moses discusses, as an ordering interface LENS does not provide the ability to add or delete features. Furthermore, DeltaCom has been forced to rely on facsimile transmissions for many preordering functions, and human intervention has been necessary to confirm cancellation or changes in orders.

Indeed, the affidavit shows that DeltaCom has had difficulties even with "pure resale 'as is'" orders (Affidavit at 4). If the LENS system cannot produce nondiscriminatory treatment for the easiest of orders, it is likely that its

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[10] In the period from June 30, 1997, to July 18, 1997, LENS was not accessible to DeltaCom six different times (Affidavit at 4).

results will be even worse for more complex orders. Mr. Moses states that because of the difficulties DeltaCom has encountered in the initial provision of resold residential services, it is "very hesitant" to process complex orders affecting large business customers. (Affidavit at 7). Mr. Moses' concluding statement sums up LENS' inadequacies:

> "LENS is not capable of supporting competition because it requires extensive manual intervention and does not support complex or volume ordering. The LENS system is not reliable and is too cumbersome for DeltaCom to match the level of customer service currently provided by BellSouth. LENS is plagued with design problems."

ACSI's comments being filed October 20, 1997, show that ACSI has also experienced similar difficulties with the BellSouth LENS system.

B. BellSouth Has Failed to Show that It Can Adequately Provision Unbundled Loops.

While BellSouth has apparently not yet received requests for unbundled loops in South Carolina, it is clear from its experience elsewhere in its region that it has not shown that it is capable of provisioning unbundled loops in commercial volumes. The opposition being filed October 20, 1997, by ACSI demonstrates numerous difficulties in obtaining unbundled loops from BellSouth:

- Extended periods of disconnected service during cutovers accompanied by a failure to coordinate number portability.

- BellSouth's failure to acknowledge orders and provide meaningful Firm Order Commitments ("FOCs").

- Unexplained post-cutover disconnects.[11]

BellSouth's record in its region outside South Carolina thus raises serious questions concerning its ability to provision unbundled loops in a non-discriminatory fashion and in commercially viable volumes. BellSouth has plainly failed to meet its burden of proof on this issue.

III. BELLSOUTH HAS FAILED TO SHOW THAT ITS APPLICATION SERVES THE PUBLIC INTEREST.

A. The Public Interest Factors Identified in the Ameritech-Michigan Order Do Not Expand the Competitive Checklist.

In its Brief, BellSouth argues that the prohibition on expansion of the competitive checklist (contained in § 271(d)(4)) effectively precludes the Commission from considering the various factors enumerated in its Ameritech-Michigan 271 Order, particularly any aspects of local competition, under the public interest standard of § 271(d)(3)(C). BellSouth argues that "[t]he point of the public interest test is . . . to allow the

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[11] An analysis of some of BellSouth's process problems in provisioning unbundled loops in the Birmingham, Alabama, area has been submitted to the Florida PSC, and is appended to these comments as Attachment A.

Commission to examine the effect on competition of Bell company entry into the interLATA market" and that the "principal focus of the inquiry must be the market effects of Bell company entry would directly be felt: the interLATA market." BellSouth Brief at 70.

In essence, BellSouth argues that the any Commission analysis of the effect of BellSouth entry into the interLATA market on local competition must be limited to an inquiry into whether the 14 point checklist has been satisfied, and that the public interest test is limited to an analysis of whether BOC entry would benefit the interLATA market.

BellSouth is thus again attempting to raise an issue that the Commission has squarely dealt with and rejected. In the Ameritech-Michigan 271 Order the Commission was faced with similar arguments made by BellSouth.[12] The Commission thoroughly considered and rejected BellSouth's arguments, and found that BellSouth's reading of the statute "would effectively read the public interest requirement out of the statute, contrary to the plain language of . . . section 271, basic principles of statutory construction, and sound public policy. . . . [T]he text of the statute clearly establishes the public interest requirement as a separate, independent requirement for entry."

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[12] See Ameritech-Michigan 271 Order at ¶¶ 382-402 and n.986 (specifically identifying BellSouth's argument).

The Commission concluded that in addition to its review of the fourteen point checklist, the Commission must assure that all barriers to entry to the local telecommunications market have been eliminated, and that a BOC will continue to cooperate with new entrants after receiving in-region, interLATA authority.

Not only has BellSouth failed to offer a cogent argument as to why the Commission should reverse its holding in the Ameritech-Michigan 271 Order, but one of the sponsors of the Telecommunications Act pointed to the local competition requirements in the Act in successfully defending the bill against an amendment that would have removed the public interest test entirely (141 Cong. Rec. S7961-62; Remarks of Sen. Stevens in response to Sen. McCain's proposed amendment deleting the public interest test):

> "In my judgment, this compromise we have worked out is just right. The FCC has a long history of considering public interest, convenience, and necessity. That was the bedrock principle of the 1934 Communications Act.
>
> "In order to transition to this new era and take the courts out -- because under the modified final judgment, the courts have been determining communications policy through administrative hearings under court jurisdiction. In order to take them out, the parties involved wanted to be assured that, at least for this transition period, the oversight role of the FCC would be restored. (Emphasis supplied.)
>
> * * *
>
> "The checklist contains 14 technical requirements for interconnection and unbundling of the Bells' local exchange networks. However, the list is not self-explanatory or self-implementing. . . . . The Senator from Arizona argues that the checklist is all that is needed and it

> should be straightforward for the FCC to implement. Paragraph 4 of subsection (b) of this bill specifically prohibits the FCC from limiting or expanding the terms of the checklist. (Emphasis supplied.)
>
> "But the trouble is, how will the FCC decide that the capability to exchange communications exists? If we have just the checklist and the FCC decides that the capability to exchange communications efficiently does not yet exist, then it would be off to the courts again, because obviously no person that seeks approval of the FCC is going to take that denial without going to court."

The legislative history of the Act thus clearly reveals that the public interest standard of § 271(d)(3)(C) was intended to confer an "oversight role" on the Commission that included local competition matters. Moreover, as the Commission found in the Ameritech-Michigan 271 Order, there are a number of issues relating to whether local competition can or will survive that are not covered by the competitive checklist. It would make no sense, for example, for the Commission to be unable to consider whether state statutes, local "franchise" requirements or other matters could injure local competition, or whether evidence exists as to whether the relevant Bell Operating Company will comply with the checklist items and signed interconnection agreements after they have entered the in-region inter-LATA market.

Accordingly, the Commission should stand firm on its determination in the Ameritech-Michigan 271 Order that it has: "broad discretion to identify and weigh all relevant factors in

determining whether BOC entry into a particular in-region, interLATA market is consistent with the public interest" (id. at ¶ 383), and that, indeed, rather than focusing on the effect of entry on the long distance market, the Commission's public interest determination: "should focus on the status of market-opening measures in the relevant local exchange market." (Id. at ¶ 386).

Thus the Commission should consider, among other things, the existence of barriers to entry, whether the BOC has agreed to performance monitoring (including performance standards and reporting requirements) in its interconnection agreements, and evidence of the BOC's commitment or lack thereof in complying with various state and federal requirements.

B. BellSouth Has Not Shown that the Publication of its SGAT Results in a Local Market that "[I]s and Will Remain" Open to Competition.

BellSouth argues that even if the Commission does follow its holding in the Ameritech-Michigan 271 Order, and examines the effect of granting the application on local markets, approval of the application is still in the public interest. In making this argument, BellSouth relies primarily on the SCPSC's finding that BellSouth entry into long distance: "will create real incentives for the major [interexchange carriers] to enter the local market rapidly in South Carolina, because they will no longer be able to pursue other opportunities secure in the knowledge that

[BellSouth] cannot invade their market until they build substantial local facilities" (BellSouth Brief at 67).

Putting aside the fact BellSouth addresses only the incentives of the long distance companies, and disregards the seventy-five to eighty other potential competitors in South Carolina, ALTS points out that BellSouth offers no quantification of the market erosion that large interexchange carriers might suffer from BellSouth's entry to support of this claim. Unless BellSouth can show that the economic effect of its entry would be so great as to outweigh the high cost of local entry (made even higher by BellSouth's defiance of Section 271's requirements), BellSouth cannot demonstrate that local competition will benefit if its application were granted.

C. BellSouth Is Illegally Refusing to Pay CLECs Reciprocal Compensation on Local Traffic to ISPs.

The Commission has long held that local calls to ISPs must be treated as local calls by LECs.[13] Unfortunately, some ILECs, including BellSouth (see Attachment B), now contend this clear rule does not apply to those local calls to an ISP where the call is exchanged between an ILEC and a CLEC. Because BellSouth's refusal to pay these amounts is a blatant

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[13] See, e.g., Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, 3 FCC Rcd 2631, 2633 (1988).

anticompetitive practice, ALTS requests that the Commission clarify this matter before it reaches the merits of BellSouth's application.

The underlying issue is simple. Picture a local calling area, with a call going between an end user and an ISP within that area under three different scenarios: first, where a single LEC handles both ends of the call; second, where a CLEC handles one end and an ILEC the other; and third, where an ILEC handles one end and an adjacent ILEC handles the other. The RBOCs acknowledge the first call must be handled as a local call under the Commission's rules, and be treated as a local call for separations and tariff purposes,[14] but they now contend that the identical call under the second scenario cannot be treated as "local" for the purpose of being included in Transport and Termination agreements between ILECs and CLECs.[15]

Concerning the third scenario, the RBOCs are utterly silent.

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[14] At least one RBOC's analysis of local calls to ISPs which it handles by itself apparently also applies to any associated vendors it happens to choose -- but not to CLECs. See, e.g., BA's amendment to its CEI plan to expand its Internet Access Service dated May 5, 1997, CCB Pol. 96-09, at 3: "Bell Atlantic's vendor will subscribe to local telephone services -- either standard business lines or ISDN -- to receive the call."

[15] Currently all LECs (including BellSouth, to the best of ALTS's knowledge) treat calls within a local calling area to an ISP as local calls for the purposes of separations and tariffs -- without any distinction as to local calls to ISPs that involve a LEC-to-LEC handoff.

This silence conceals the discriminatory application of their new theory, because, to the best of ALTS's knowledge, they continue to treat local calls to ISPs that they exchange with adjacent LECs as "local" within their interconnection agreements with those companies (as well as for separations and tariff purposes) even though those calls present precisely the circumstances, legally and economically, as the second scenario.[16]

Nothing in the 1996 Act or the Commission's implementing rules altered any aspect of the rule that calls to ISPs from within local calling areas be treated as local. The Commission in its Local Competition Order (CC Docket No. 96-98, decided August 8, 1996) discussed at length the scope of the interconnection obligations contained in Sections 251 and 252 as they relate to local and interexchange traffic at three different parts of its decision (¶¶ 356-365; 716-732; 1033-1038). This discussion carefully explains what kinds of traffic can be handled through Transport and Termination agreements. Nowhere in this extensive discussion did the Commission announce any change in its longstanding rule that calls to ISPs from within a local calling area must be treated as local calls by LECs.

Furthermore, the Commission in its Usage of the Public

[16] None of the interconnection agreements between adjacent LECs of which ALTS is aware distinguish between calls to an ISP within a local calling area that are exchanged between LECs, and any other kind of local traffic exchanged between the LECs.

Switched Network by Information Service and Internet Access Providers NOI (CC Docket No. 96-263, released December 24, 1996, "Internet NOI"), recounted the long history of its requirement that calls to ISPs from within local calling areas be treated as local calls regardless of the ISP's subsequent handling of the call, and requested comments on whether this policy should be reconsidered in light of contentions about network congestion, inefficient network usage, etc. (¶¶ 282-290). Nowhere in that discussion did the Commission suggest that its Local Competition Order had somehow altered its long-standing rule in situations where one LEC hands off to another LEC a local call to an ISP.[17]

Despite this clear Commission precedent, the absence of any legal or policy reasons for creating a different rule concerning local calls to ISPs that are exchanged between ILECs and CLECs, the LECs' own statements in the Internet NOI proceeding, and the LECs' longstanding behavior in exchanging traffic with adjacent LECs, BellSouth now contends that local calls to ISPs which are exchanged between an ILEC and a CLEC are not encompassed by

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[17] LECs in the Internet NOI, as well as in state pleadings, have relied upon the fact that local calls to ISPs are among the traffic that must be exchanged between ILECs and CLECs pursuant to their Transport and Termination agreements. According to these LECS, this inclusion creates competition to gain ISP customers that merits a change in the current rules (SNET Internet NOI Comments at 10; Rochester petition to NYPSC in 93-C-0103, filed May 6, 1997). I.e., they acknowledge that such traffic currently does fall with the scope of Transport and Termination agreements.

Transport and Termination agreements executed pursuant to Sections 251 and 252 (see Attachment A).

Whether local calls to ISPs are properly embraced by Transport and Termination agreements is clearly an important economic issue, given the undisputed growth of traffic to ISPs. Before acting on the merits of this application, the Commission should rule that: (1) calls within local calling areas from end users to ISPs should continue to be treated as local when an ILEC-to-CLEC hand off is involved; and (2) even if such calls are not required to be treated as local, the fact that LECs treat such calls as local when exchanged with adjacent LECs requires the same treatment when such traffic is exchanged with competitive LECs.

D. BellSouth Has Refused to Comply With Section 252(i)'s Requirement that the Provisions of Interconnection Agreements Be Made Available to All Requesting Carriers.

BellSouth is remarkably blunt in its South Carolina application concerning its refusal to comply with Section 252(i) of the 1996 Act (Varner Affidavit at IV.A.):

> "As an alternative to the Statement, parties may choose to negotiate specific terms and conditions for certain functions or opt to utilize another CLEC's SCPSC-approved agreement. BellSouth's Statement does not provide the option for CLECs to 'pick and choose' specific components from various other CLEC agreements. With regard to this issue, the Eighth Circuit noted in its July 17 decision, 'We conclude that the FCC's interpretation conflicts with

> the Act's design to promote negotiated agreements. Thus, we find the FCC's "pick and choose" rule to be an unreasonable construction of the Act and vacate it for the foregoing reasons.'"

First, BellSouth has failed to inform the Commission that the Eighth Circuit's construction of Section 252(i) is very much a minority view. For example, the Colorado PSC has independently concurred with the Commission's interpretation of Section 252(i) (In the Matter of TCG Colorado; Docket No. 96A-329T, Arbitration Decision adopted November 5, 1996, at 19):

> "[W]e do not accept [US WEST's] position that § 252(i) contemplates carrier acceptance of interconnection agreements only in their entirety. While we acknowledge that the FCC's MFN holding was one of the mandates recently stayed by the Eighth Circuit Court (see footnote 1), our independent interpretation of the Act is inconsistent with USWC's contention. The language in § 252(i) compels an ILEC to make available '<u>any</u> interconnection, service, or network element (emphasis added)' provided in an approved agreement to other requesting carriers 'upon the same terms and conditions as those provided in the agreement.' <u>The plain and clear provisions of the Act do not support USWC's argument on this issue</u>." (Emphasis supplied except as noted in the original.)

<u>See also</u> <u>In the Matter of ICG Telecom Group</u>, Docket No. 96A-356T, Arbitration Decision adopted November 13, 1996, at 18; <u>In the Matter of the Petitions for Approval of Agreements</u>; MPSC Case No. 8731, Order No. 73010 issued November 8, 1996, p. 7. Thus, while the Commission's Section 252(i) rules have indeed been vacated, the fact remains that most forums have rejected the Eighth Circuit's interpretation of Section 252(i).

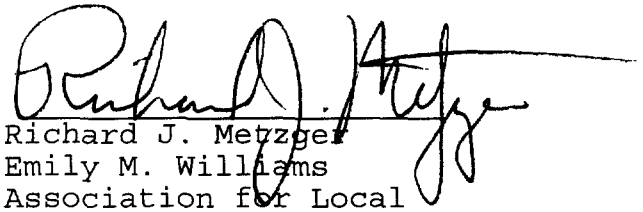
Not only is the Eighth Circuit's interpretation of Section 252(i) by far the minority view, it is singularly unpersuasive in the context of the present application. Nothing in Section 271 suggests or evens hints at a Congressional preference for negotiations. Instead, Section 271's plain emphasis is on the effective and robust opening of local telecommunications markets to sustainable competition. The inability of all competitors to obtain similar offerings from approved interconnection agreements pursuant to Section 252(i) is manifestly an impediment to effective local competition.

The Commission need not apply its vacated Section 252(i) rules in order to follow the better line of precedent concerning the meaning of Section 252(i). ALTS requests that the Commission follow the well-reasoned interpretation of Section 252(i) contained in the decisions cited above, and, without attempting to invoke or relying upon its vacated rules, find that BellSouth is not in compliance with Section 252(i).

CONCLUSION

For the foregoing reasons, ALTS requests that BellSouth's Application for In-Region InterLATA authority in South Carolina be denied.

Respectfully submitted,

By: 

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October 20, 1997

ATTACHMENT A

EXCERPTS FROM INDEPENDENT ANALYSIS OF BELLSOUTH CLEC ORDER PROCESSING PROCEDURES

Source:
DeWolff, Boberg Study
"Analysis Conducted for BellSouth
LCSC Atlanta, Ga.-Birmingham, AL
March 3, 1997-March 13, 1997"
Produced in Fla. PSC Docket No. _____

LCSC Ordering and Provisioning
This level of ineffective utilization is a result of unclear expectations, employee skills deficiencies, the lack of process documentation and control over the work flow. These problems are unnecessarily inflating your operating cost and limiting your ability to deliver a consistently high level of customer service. Excessive errors and rework are lowering the quality of your service due to missed dates and excessive lead times. The root causes of these problems continue without supervision identifying the problems or developing corrective action strategies. [002773]
Our evaluation of your basic work processes in both resale and unbundled, indicated they lack process documentation, compliance, and the accuracy to provide a predictable, high quality output. [002773]
We repeatedly observed employee skills deficiency and errors which is negatively impacting both productivity and quality. [002773]
Your current level of quality is unnecessarily low. Due to numerous operating problems, training deficiencies and process non-compliance, this level of quality is inflating your operating costs per order, and contributing to delays in customer service. [002773]

LCSC Ordering and Provisioning
The current level of errors is alarming due to the low volume level and the fact that current employees whom we studied have been on their current jobs from four months to a year. These quality problems and errors are recurring several times per day without supervisory awareness or corrective action. [002773]
We observed little time devoted to preemptive action to keep problems from occurring or recurring. This "fire fighting" technique results in an approach to problem solving where supervisors address only the symptoms of the problem. [002776]
Due to various operating, training and quality problems which are not being resolved, your current level of labor utilization is inflating your operating costs, and building excessive lead-times into your order process. [002790]
Some reps' exhibit poor work habits without management awareness or corrective action. We observed several cases where workers were repeatedly creating rework and delays for other BellSouth operations, but were not confronted by their supervisors, thereby condoning the practice. Supervisors rely on system edits and error reporting to correct the problems rather than confront employees on poor work habits, poor disciplines and skills deficiencies. [002791]
In your LCSC environment, the clarification requests seem to be used as a "fail safe" to catch quality problems and missing input information prior to order processing. We noted situations in which every portability order required clarification due to missing information. . . . Management is not aware of this condition and is not gathering the data necessary to develop a corrective action strategy with the account teams to solve the problems before they hit the LCSC and force lost time into your operation. [002791]

LCSC Ordering and Provisioning
We observed different methods being used by multiple employees to perform the same task. This resulted in significant variances in both quality and productivity. This frequently results in errors and rework as vital steps of the process are missed and must be corrected after the fact. This is impacting your customer service and unnecessarily inflating your order processing time. [002797]
Instead of training and developing your people to do the work right the first time, you rely on rework to find errors. These activities do not add value and unnecessarily inflate your operating cost and order lead times. [002798]
Our analyses of your work flow processes for both resale and unbundled orders indicates that your current level of process documentation is insufficient to assure process compliance and integrity. You lack the ability to use process documentation as a training aid that can be used to upgrade the skill sets of you [sic] representatives. There is a lack of clearly defined process requirements. [002801]
Detail process flows do not exist and cannot be incorporated into a continuous employee training process. As a result, you are not keeping up with the latest upgrades to the order processing flow and the frequency of errors tends to increase. This has a negative effect upon both internal and external customer services. [002801]
Failure to have the process detailed step by step has limited your ability to quantify and qualify the procedural barriers that affect productivity and quality. [002802]

Training and Skills
Your employees are not effectively trained to maximize their skills and productivity. These training deficiencies are having a negative impact on both service and quality. We noted that employees must rely upon fellow employees to resolve training needs without the direction nor participation of the supervisors. [002773]
Many of your key jobs have insufficiently trained people to assure that employees can be assigned to meet volume requirements. This situation is especially acute as you look forward toward your anticipated ramp up of operations at the LCSC. [002773]
Supervisors do not use their time to direct, coach or train their people. Their basic management style is passive or reactionary and they tend to deal only with the symptoms of recurring problems. [002775]
Improperly trained employees are forcing lost time into the operation. [002791]
Our studies indicate that only 48% of the key jobs have employees who are qualified to perform their functions effectively. [002797]
According to their supervisors, 35% of the jobs have employees who are marginally qualified to perform the tasks. Marginal means they are only able to perform selected functions of a total order processing flow without constant follow up. This is a key point, since we saw very little training of employees by the supervisors during our studies. [002797].

LCSC Management
We concluded that supervisors spend very little time guiding, coaching, or training their people. They also have very limited control over the work flows and processes. We determined that most of their contact with their people was initiated by the employees and was generally spent in a reactive "fire fighting" mode. We did not observe any supervisor spending time training their employees or recognizing a job well done. We noted a direct correlation between the passive behaviors of the supervisors and the attitudes which we determined through our diagnostic questionnaire. The majority of their time is spent on administrative activities, from which we saw little added value, or was idle/available. [002772]
[Y]our supervisory level has a poor understanding of the concepts of proactive supervision, organizational development, and systems utilization. We believe this passive management style is a result of a lack of an effective management operating system in LCSC which would support their efforts to resolve operating problems and address training needs. We also noted the absence of management training programs which provide them with the skill sets necessary to function effectively in a start up operation such as LCSC. [002772]
Your LCSC management systems contain fragments of most of the basic elements required to control an order entry operation. However, although many of the elements exist, they will require significant upgrades to make them effective management tools. Those elements which could be effective such as assignment controls are not being used by management to identify root causes of productivity, quality and service problems. [002772]

We saw no evidence of any supervisors attempting to reinforce/acknowledge high performance or motivating their people. This passive management style often results in the employees lacking direction and clear expectations, resulting in poor productivity, quality, and excessive lead-times which negatively impacts your levels of service. [002775]
Diagnostic assessment indicates that your supervisors have a poor understanding of the concepts of effective supervision. [002781]
[W]e did not observe any of the supervisors assign work by communication expectations relative to quality or productivity. We also did not see supervision involved in systematic follow up or monitoring of work in progress. These situations do not permit the timely resolution of problems. [002781]
Problem solving techniques are not effective in most cases. [002790]
This reactionary, non supportive management style contributes to the perpetuation of quality problems and non value added rework. [002790]
Supervisors very rarely follow up on work in process. This lack of supervisory involvement has left your employees to solve most problems by themselves. . . . As a result, persistent problems tend to continue before corrective action is taken, and it often deals only with the symptoms rather than root causes of the problem. [002790]